

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended.

Unit Name	Ottawa County Public Utilities Sy	County	OTTAWA	Type	AUTHORITY	MuniCode	70-7-526
Opinion Date	Jun 11, 2008	Audit Submitted	Jun 13, 2008	Fiscal Year	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 284,441.00
General Fund Expenditure:	\$ 368,423.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 2,493.00
Governmental Activities Long-Term Debt (see instructions):	\$ 101,463,236.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations)

CPA (First Name)	Douglas	Last Name	Vredeveld	Ten Digit License Number	1101021289
CPA Street Address	4001 Granada Ct.	City	Grand Rapids	State MI	Zip Code 49534
CPA Firm Name	Vredeveld Haefner LLC	Unit's Street Address	14110 Lakeshore Dr.	City	Grand Haven
				Zip Code	49417

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

(a Component Unit of Ottawa County)

Ottawa County, Michigan

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007



Vredeveld Haefner LLC

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

(a Component Unit of Ottawa County)

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Vredeveld Haefner LLC

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INDEPENDENT AUDITORS' REPORT

June 11, 2008

Ottawa County Public Utilities System
Board of County Road Commissioners
Grand Haven, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ottawa County Public Utilities System (the System), Ottawa County, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the System. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund for the Ottawa County Public Utilities System as of December 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 11, 2008, on our consideration of the Ottawa County Public Utilities System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-6 and the required supplementary information is not a required part of the basic financial statements but is supplementary information required by generally accepted accounting principals in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The combining and individual sub fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non Profit Organizations*, and is also not a required part of the basic financial statements of the System. The combining and individual sub fund financial statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ordeanold Haefner LLC

Management's Discussion and Analysis

As management of the Ottawa County Public Utilities System (the System), we offer readers of the System's financial statements this narrative overview and analysis of the financial activities of the System for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements. The System was formed to provide local units of government with assistance in the construction, financing, operations, and maintenance of water and sewage treatment plants and related infrastructure.

Financial Highlights

Financial Statement Content:

The system provides water and sewer system infrastructure operations, design and construction management services to local units of government. Financing is typically provided through bonds issued utilizing the credit of both the participating local units and Ottawa County. Agreements between the local units transfer ownership of the constructed systems to the local units upon full payment of related debt service.

- The Ottawa County Public Utilities System sold two new bond issues in 2007: Ottawa County Water Supply System for \$38,145,000 and Allendale Charter Township Water Supply System for \$2,655,000.
- Total local water and sewer operations accounted for through the System paid in excess of \$13,746,000 for water and sewer services, over \$12,648,000 for debt service and approximately \$24,114,000 in project costs.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's financial statements. The System's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information (combining sub fund statements) in addition to the basic financial statements. The system has multiple sub funds making up the various funds utilized for financial reporting purposes.

Note that Ottawa County's government-wide financial statements are not presented herein because the System is a component unit of the County. The County presents their financial statements in a separately issued comprehensive annual financial report.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the System's finances, in a manner similar to a private-sector business. The government-wide financial statements include only the System itself (known as the *Primary government*). The System has no legally separate component units for which the System is financially accountable.

The *statement of net assets* presents information on all of the System's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the System is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., payments on long-term debt).

Both of the government-wide financial statements display functions of the System that are principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of the System include providing construction, repair, maintenance, debt service, and operations of water and sewer systems and related infrastructure within Ottawa County. The System does not have any business-type activities.

In this report, financial information for the System is reported separately from the financial information presented for Ottawa County which reports the System as a component unit.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The System, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the System are governmental funds. The System does not utilize proprietary or fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the *governmental funds* and *governmental activities*.

The System maintains four individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, operations special revenue fund, bond debt service fund, and the construction capital projects fund which are all considered to be major funds.

The System has not adopted an annual appropriated budget for any funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information is limited to this management discussion and analysis. Supplementary information presented is limited to combining schedules for the multiple sub funds making up the various funds utilized for financial reporting purposes.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the System, as illustrated in the following table, assets exceeded liabilities by \$544,035 at the close of the most recent fiscal year.

The most significant portion of the System's net assets are restricted for operations and maintenance of the various systems. The capital assets constructed and operated by the System are the property of the applicable local units of government.

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Assets		
Current assets	\$28,790,198	\$ 7,407,942
Noncurrent assets		
Due from other governments	78,419,283	64,572,976
Total assets	107,209,481	71,980,918
Liabilities		
Current liabilities	5,213,083	3,207,284
Long-term liabilities	101,452,363	66,858,440
Total liabilities	106,665,446	70,065,724
Net assets		
Restricted	541,542	1,905,676
Unrestricted	2,493	9,518
Total net assets	\$544,035	\$1,915,194

Net assets of the System decreased by \$1,371,159. The decrease in net assets is primarily the result of additional accrued interest on bonded debt.

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Revenue		
Program revenue		
Charges for Services	\$17,407,487	\$15,793,998
General revenue		
Interest income	48,702	32,279
Other	72,739	767,188
Total revenue	17,528,928	16,593,465
Expenses		
Operations	15,191,906	13,653,148
Interest	3,708,181	2,927,606
Total expenses	18,900,087	16,580,754
Increase (decrease) in net assets	(1,371,159)	12,711
Net assets-beginning of year	1,915,194	1,902,483
Net assets end of year	\$544,035	\$1,915,194

Governmental activities

During the year the System expended approximately 80% of its total expenses on operations and approximately 20% on interest expense.

Financial Analysis of the Government's Funds (General fund)

As noted earlier, the System uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the System's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the System's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the System's governmental funds reported combined ending fund balances of \$25,043,333, an increase of \$20,305,960 in comparison with the prior year. This increase is primarily the result of the current year bond issues and the extent of capital expenditures.

The general fund is the chief operating fund of the System. At the end of the current fiscal year, unreserved undesignated fund balance of the general fund was \$2,493. As a measure of the general fund's liquidity, it is important to note that the general fund operates primarily on charges for services funding.

Capital Asset and Debt Administration

Capital assets. The capital assets constructed and operated by the System are the property of the applicable local units of government and are not reported as assets of the System.

Debt. At the end of the current fiscal year, the System had outstanding long-term debt as follows:

	Governmental Activities
Bonds	\$101,463,236
Unamortized issuance costs	<u>(10,873)</u>
Total	<u>\$101,452,363</u>

Additional information on the System's long-term debt can be found in Note 3 of this report.

Economic Factors and Next Year's Budgets and Rates

- Budgets have not yet been adopted for the 2008 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Ottawa County Public Utilities System, Finance Director, PO Box 739, Grand Haven, MI 49417.

BASIC FINANCIAL STATEMENTS

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

STATEMENT OF NET ASSETS

DECEMBER 31, 2007

	Governmental Activities
Assets	
Cash and temporary investments	\$ 8,911,310
Investments	17,535,946
Accounts receivable	2,342,942
Due from other governments long-term	<u>78,419,283</u>
Total assets	<u>107,209,481</u>
Liabilities	
Accounts payable	3,412,773
Unearned revenue	32,124
Due to other component units	70,788
Due to Ottawa County	231,180
Accrued interest	1,466,218
Noncurrent liabilities	
Bonds payable	
Due within one year	7,552,000
Due in more than one year	93,911,236
Unamortized issuance costs	<u>(10,873)</u>
Total liabilities	<u>106,665,446</u>
Net assets	
Restricted for	
Operations and maintenance	530,669
Debt service	10,873
Unrestricted	<u>2,493</u>
Total net assets	<u>\$ 544,035</u>

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2007

Expenses

Operations	
Salaries and wages	\$ 567,729
Operating supplies and expenses	69,383
Contractual services	342,437
Water purchases	9,018,729
Sewage treatment charges	4,727,368
Utilities	153,663
Miscellaneous	311,973
Debt service	
Interest	<u>3,708,181</u>

Total expenses	<u>18,900,087</u>
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Total program revenue

Charges for service	<u>17,407,487</u>
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Net program expense	<u>(1,492,600)</u>
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General revenue

Interest income	48,702
Miscellaneous	<u>72,739</u>

Total general revenue	<u>121,441</u>
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Change in net assets	(1,371,159)
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Net assets, beginning of year	<u>1,915,194</u>
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Net assets, end of year	<u>\$ 544,035</u>
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The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

DECEMBER 31, 2007

	<u>General</u>	<u>Operations Special Revenue</u>	<u>Bond Debt Service</u>	<u>Construction Capital Projects</u>	<u>Total</u>
Assets					
Cash and temporary investments	\$ 76,957	\$ 1,315,112	\$ 2,307,524	\$ 5,211,717	\$ 8,911,310
Investments	-	-	-	17,535,946	17,535,946
Accounts receivable	16,402	1,733,908	67,599	525,033	2,342,942
Due from other funds	-	31,444	-	-	31,444
Due from other governments long-term	-	-	76,953,065	-	76,953,065
Total assets	<u>\$ 93,359</u>	<u>\$ 3,080,464</u>	<u>\$ 79,328,188</u>	<u>\$ 23,272,696</u>	<u>\$ 105,774,707</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 708	\$ 2,530,177	\$ 482	\$ 881,406	\$ 3,412,773
Deferred revenue	316	19,618	76,963,190	2,065	76,985,189
Due to other funds	19,054	-	1,191	11,199	31,444
Due to other component units	70,788	-	-	-	70,788
Due to Ottawa County	-	-	81,180	150,000	231,180
Total liabilities	<u>90,866</u>	<u>2,549,795</u>	<u>77,046,043</u>	<u>1,044,670</u>	<u>80,731,374</u>
Fund balances					
Unreserved	<u>2,493</u>	<u>530,669</u>	<u>2,282,145</u>	<u>22,228,026</u>	<u>25,043,333</u>
Total fund balances	<u>2,493</u>	<u>530,669</u>	<u>2,282,145</u>	<u>22,228,026</u>	<u>25,043,333</u>
Total liabilities and fund balances	<u>\$ 93,359</u>	<u>\$ 3,080,464</u>	<u>\$ 79,328,188</u>	<u>\$ 23,272,696</u>	<u>\$ 105,774,707</u>

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS**

DECEMBER 31, 2007

Fund balances - total governmental funds	\$ 25,043,333
 Amounts reported for <i>governmental activities</i> in the statement of net assets are different because	
 Certain assets reported on the statement of net assets are not receivable in the current period and therefore are not reported in the funds.	
Add - accrued interest receivable from participants	1,466,218
Add - deferred revenue on long-term receivable due from participants	76,953,065
 Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - Bonds payable	(101,463,236)
Deduct - unamortized bond premium	10,873
Deduct - accrued interest on bonds	<u>(1,466,218)</u>
 Net assets of governmental activities	 <u>\$ 544,035</u>

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>General</u>	<u>Operations Special Revenue</u>	<u>Bond Debt Service</u>	<u>Construction Capital Projects</u>	<u>Total</u>
Revenues					
Charges for services	\$ 173,608	\$ 14,853,992	\$ 10,641,496	\$ 585,491	\$ 26,254,587
Interest	48,702	-	76,860	959,333	1,084,895
Miscellaneous	62,131	9,984	-	624	72,739
Total revenues	<u>284,441</u>	<u>14,863,976</u>	<u>10,718,356</u>	<u>1,545,448</u>	<u>27,412,221</u>
Expenditures					
Current					
Public works					
Salaries and wages	304,068	263,661	-	-	567,729
Operating supplies and expenses	2,879	66,504	-	-	69,383
Contractual services	22,092	320,345	-	-	342,437
Water purchases	-	9,018,729	-	-	9,018,729
Sewage treatment charges	-	4,727,368	-	-	4,727,368
Utilities	-	153,663	-	-	153,663
Miscellaneous	39,384	272,589	-	-	311,973
Capital outlay	-	-	80,595	24,034,204	24,114,799
Debt service					
Principal	-	-	6,907,000	-	6,907,000
Interest	-	-	2,739,742	-	2,739,742
Total expenditures	<u>368,423</u>	<u>14,822,859</u>	<u>9,727,337</u>	<u>24,034,204</u>	<u>48,952,823</u>
Revenues over (under) expenditures	<u>(83,982)</u>	<u>41,117</u>	<u>991,019</u>	<u>(22,488,756)</u>	<u>(21,540,602)</u>
Other financing sources (uses)					
Bond issue	-	-	-	40,379,703	40,379,703
Bond Premium	-	-	-	1,466,859	1,466,859
Transfers in	76,957	-	212,365	-	289,322
Transfers out	-	(25,709)	-	(263,613)	(289,322)
Total other financing sources (uses)	<u>76,957</u>	<u>(25,709)</u>	<u>212,365</u>	<u>41,582,949</u>	<u>41,846,562</u>
Net changes in fund balances	<u>(7,025)</u>	<u>15,408</u>	<u>1,203,384</u>	<u>19,094,193</u>	<u>20,305,960</u>
Fund balances, beginning of year	<u>9,518</u>	<u>515,261</u>	<u>1,078,761</u>	<u>3,133,833</u>	<u>4,737,373</u>
Fund balances, end of year	<u>\$ 2,493</u>	<u>\$ 530,669</u>	<u>\$ 2,282,145</u>	<u>\$ 22,228,026</u>	<u>\$ 25,043,333</u>

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2007

Net changes in fund balances - total governmental funds	\$ 20,305,960
Amounts reported for <i>governmental activities</i> in the statement of activities are different because	
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets.	
Deduct - bond issues	(40,379,703)
Deduct - bond premiums	(1,466,859)
Add - bond issuance costs	131,274
Repayment of bond principal is an expenditure in the governmental funds but repayment reduces long-term liabilities in the statement of net assets.	
Add - principal payments on bonds	6,907,000
Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported in the funds.	
Add - increase in interest receivable from participants	1,466,218
Add - increase in payments receivable from participants for payment of long-term debt	12,633,390
Deduct - increase in accrued interest payable	(929,503)
Deduct - amortization of bond premium and issuance costs	<u>(38,936)</u>
Change in net assets of governmental activities	<u>\$ (1,371,159)</u>

The accompanying notes are an integral part of these financial statements.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Ottawa County Public Utilities System (the System) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

The System is a discretely presented component unit of Ottawa County, Michigan. The System was established in 1964 under Act 342 of the Public Acts of Michigan of 1939 to provide local units of government with assistance in the construction, financing, operations, and maintenance of water and sewage treatment plants and related infrastructure.

The criteria established under generally accepted accounting principals for determining the reporting entity includes a significant operational or financial relationship with another entity. Based on the above criteria, these financial statements present all funds of the System. The System has no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the governmental activities of the primary government (the System). *Governmental activities*, are reported in total. The System has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The System utilizes no proprietary or fiduciary funds.

The System reports the following major governmental funds:

The *General Fund* is used to account for all financial resources except those required to be accounted for in another fund.

The *Operations Special Revenue Fund* is used to account for operation and maintenance activities for the water and sewage plants and related infrastructure.

The *Bond Debt Service Fund* is used to account for the accumulation and disbursement of funds for the payments of principal and interest on long-term debt.

The *Construction Capital Projects Fund* is used to account for the accumulation and disbursement of funds for the construction of plants and related infrastructure.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM (a Component Unit of Ottawa County)

NOTES TO THE FINANCIAL STATEMENTS

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The System debt is generally guaranteed by the local units of government participating in each project as well as by Ottawa County. All assets construction by the System are assets of participating local units of government. Upon construction of capital assets the System reports a balance receivable from participating local units of government equal to debt service requirements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resource as they are needed.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for charges for services, interest and grant revenues which use one year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which are recognized when due.

The governmental funds are accounted for on a spending or "flow of current financial resources" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available, spendable resources".

The governmental fund's operating statement present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, it is said to present a summary of sources and uses of "available, spendable resources" during a period.

Budgets and Budgetary Accounting

The System has not adopted budgets for the 2007 year.

Cash and Investments

Cash and investments consist of the balance of cash, check, savings, pooled investment and mutual fund accounts. The System invests its cash and investments through Michigan financial institutions and the Ottawa County Treasurer. Michigan law authorizes the System to invest in:

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

Accounts Receivable

Accounts receivable consist primarily of the balance due for operations and maintenance, construction, or debt service activities as well as water and sewer service provided to system users. These balances are reported net of estimated uncollectible balances (estimated uncollectible balances were zero at year end).

Due From Other Governments Long-term

Due from other governments long-term consists of the balance receivable from participating local units of government for the payment on long-term debt.

Long-Term Obligations

In the government-wide financial statements the long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs during the year of issuance. The face amount of debt issued and any premiums received are reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing source and other financing source respectively. Issuance costs are reported as expenditures.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

Fund Equity/Net assets

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent amounts set aside by the Board for tentative plans for future use.

Sub Funds

The system utilizes multiple sub funds making up the various funds utilized for financial reporting purposes.

2. CASH AND INVESTMENTS

Cash and investments reported on the financial statements consist of the following balance at year end:

	<u>Cash and Investments</u>
Checking	\$ 345,864
Savings	1,958,229
Mutual funds	6,607,217
Investments	<u>17,535,946</u>
Cash and investments	<u>\$26,447,256</u>

Deposit and investment risk

The above deposits and investments are held by Ottawa County at year end. The amount of deposit and investment risk can be determined for Ottawa County as a whole, but cannot be separately identified for the System

3. TRANSFERS AND INTERFUND BALANCES

Interfund balances represent short term loans between funds. Transfers represent primarily interest earning and bond proceeds utilized to make debt service payments.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

4. LONG-TERM DEBT

The following is a summary of long-term debt activity and balances of the Utilities for the year ended December 31, 2007:

	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2007</u>	<u>Due Within One Year</u>
Grand Valley Water and Sewer Systems					
1998 Michigan Municipal Bond Authority Clean Water Revolving Loan, due in annual installments of \$225,000 to \$289,446 through 2019, interest payable at 2.25%.	\$3,319,446	\$ -	\$ 225,000	\$3,094,446	\$ 230,000
2000 Michigan Municipal Bond Authority, Revolving Loan Fund Program, due in annual installments of \$80,000 to \$117,087 through 2020, interest payable at 2.50%.	1,362,087	-	80,000	1,282,087	80,000
2005 Ottawa County Water Supply and Sewage Disposal Bonds, due in annual installments of \$95,000 to \$190,000 through 2025, interest payable at 3.00% to 4.25%	2,565,000	-	95,000	2,470,000	95,000
2006 Ottawa County Water Supply Bonds, due in annual installments of \$40,000 to \$90,000 through 2026, interest payable at 3.50% to 4.20%.	1,175,000	-	-	1,175,000	40,000
2007 Ottawa County water Supply Bonds, due in annual installments of \$110,000 to \$160,000 through 2027, interest payable at 2.125%.	-	2,234,703	-	2,234,703	110,000
	8,421,533	2,234,703	400,000	10,256,236	555,000
Wyoming Water Supply System					
2002 Ottawa County Refunding Bonds, due in annual installments of \$1,025,000 to \$1,055,000 through 2008, interest at 2.60% to 4.00%.	2,080,000	-	1,025,000	1,055,000	1,055,000
2002 Ottawa County Water Supply System Bonds, due in annual installments of \$175,000 to \$755,000 through 2022, interest payable at 3.00% to 4.80%.	6,335,000	-	175,000	6,160,000	190,000
2006 Ottawa County Refunding Bonds, due in annual installments of \$210,000 to \$310,000 through 2015, interest payable at 3.00%.	2,310,000	-	210,000	2,100,000	220,000

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
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FOR THE YEAR ENDED DECEMBER 31, 2007

	Balance January 1, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2007</u>	Due Within <u>One Year</u>
Wyoming Water Supply System (continued)					
2007 Ottawa County Water Supply System Bonds, due in annual installments of \$730,000 to \$3,135,000 through 2032, interest payable at 4.00% to 4.35%.	\$ -	\$38,145,000	\$ -	\$38,145,000	\$ -
	10,725,000	38,145,000	1,410,000	47,460,000	1,465,000
Northwest Ottawa System					
1989 Ottawa County Refunding Bonds, due in annual installments of \$15,000 to \$20,000 through 2014, interest payable at 7.45% to 7.6%.	125,000	-	15,000	110,000	15,000
1989 Ottawa County Refunding Bonds, due in annual installments of \$60,000 to \$65,000 through 2014, interest payable at 6.8% to 7.6%.	500,000	-	60,000	440,000	60,000
2002 Ottawa County Refunding Bonds, Series A, due in annual installments of \$415,000 to \$530,000 through 2010, interest payable at 2.50% to 3.20%.	1,890,000	-	530,000	1,360,000	490,000
2002 Ottawa County Refunding Bonds, Series B, due in annual installments of \$375,000 to \$430,000 through 2010, interest payable at 2.50% to 3.20%.	1,605,000	-	375,000	1,230,000	390,000
2001 Ottawa County Water Supply Bonds, due in annual installments of \$90,000 to \$300,000 through 2021, interest payable at 4.625% to 5.20%.	2,635,000	-	90,000	2,545,000	100,000
1998 Ottawa County Refunding Bonds, due in annual installments of \$470,000 to \$495,000 through 2010, interest payable at 4.50% to 4.70%.	1,930,000	-	495,000	1,435,000	485,000
1998 Ottawa County Refunding Bonds, due in annual installments of \$80,000 to \$90,000 through 2009, interest payable at 4.50% to 4.60%.	250,000	-	80,000	170,000	80,000
1999 Ottawa County Wastewater Collection System Bonds, due in annual installments of \$35,000 to \$75,000 through 2019, interest payable at 4.70% to 5.05%.	695,000	-	35,000	660,000	40,000

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
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FOR THE YEAR ENDED DECEMBER 31, 2007

	Balance January 1, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2007</u>	Due Within One Year
Northwest Ottawa System					
(continued)					
2005 Ottawa County Refunding Bonds, due in annual installments of \$120,000 to \$135,000 through 2015, interest payable at 3.50% to 4.00%.	\$ 1,030,000	\$ -	\$ 130,000	\$ 900,000	\$ 135,000
2005 Ottawa County Water Supply Bonds, due in annual installments of \$50,000 to \$110,000 through 2020, interest payable at 3.05% to 4.25%.	990,000	-	-	990,000	50,000
	<u>11,650,000</u>	<u>-</u>	<u>1,810,000</u>	<u>9,840,000</u>	<u>1,845,000</u>
Grand Haven Township Water System					
1998 Ottawa County Refunding Bonds, due in annual installments of \$80,000 to \$85,000 through 2010, interest payable at 4.50% to 4.70%.	330,000	-	80,000	250,000	85,000
1999 Ottawa County Water Supply Bonds due in annual installments of \$115,000 to \$130,000 through 2008, interest payable at 5.15%.	245,000	-	115,000	130,000	130,000
1996 Ottawa County Wastewater Collection Bonds, due in annual installments of \$55,000 to \$95,000 through 2016, interest payable at 5.50% to 5.75%.	725,000	-	55,000	670,000	55,000
2005 Ottawa County Refunding Bonds, due in annual installments of \$280,000 to \$410,000 through 2019, interest payable at 3.50% to 4.375%.	4,520,000	-	320,000	4,200,000	330,000
	<u>5,820,000</u>	<u>-</u>	<u>570,000</u>	<u>5,250,000</u>	<u>600,000</u>
Holland Area System					
1997 Ottawa County Refunding Bonds, due in annual installments of \$305,000 to \$360,000 through 2010, interest payable at 3.80% to 4.90%.	1,320,000	-	305,000	1,015,000	320,000
2001 Ottawa County Refunding Bonds, due in annual installments of \$110,000 to \$140,000 through 2011, interest payable at 4.00% to 4.45%.	625,000	-	110,000	515,000	120,000

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FOR THE YEAR ENDED DECEMBER 31, 2007

	Balance January 1, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2007</u>	Due Within <u>One Year</u>
Holland Area System (continued)					
2001 Ottawa County Refunding Bonds, due in annual installments of \$715,000 to \$990,000 through 2014, interest payable at 4.00% to 4.75%.	\$ 6,745,000	\$ -	\$ 715,000	\$ 6,030,000	\$ 745,000
1998 Ottawa County Water Supply and Refunding Bonds, due in annual installments of \$175,000 to \$295,000 through 2018, interest payable at 4.55% to 5.15%.	2,765,000	-	175,000	2,590,000	185,000
	<u>11,455,000</u>	<u>-</u>	<u>1,305,000</u>	<u>10,150,000</u>	<u>1,370,000</u>
Olive-Blendon Water System					
1978 Ottawa County Water Supply Bonds, due in annual installments of \$25,000 to \$50,000 through 2017, interest payable at 5.00%.	425,000	-	25,000	400,000	30,000
Coopersville Water Supply System					
1978 Ottawa County Water Supply Bonds, due in annual installments of \$40,000 to \$75,000 through 2017, interest payable at 5.00%	685,000	-	40,000	645,000	50,000
Crockery Township Water and Sewage System					
1997 Ottawa County Water Supply Bonds, due in annual installments of \$10,000 to \$15,000 through 2017, interest payable at 4.70% to 5.25%.	185,000	-	15,000	170,000	15,000
1997 Ottawa County Refunding Bonds, due in one annual installment of \$85,000 on November 1, 2007, interest payable at 4.70%.	85,000	-	85,000	-	-
2004 Ottawa County Wastewater Collection System Bonds, due in annual installments of \$20,000 to \$100,000 through 2024, interest payable at 3.00% to 4.375%.	1,045,000	-	-	1,045,000	20,000
2005 Ottawa County Water Supply Bonds, due in annual installments of \$15,000 to \$35,000 through 2025, interest payable at 3.625% to 4.30%	420,000	-	-	420,000	15,000
	<u>1,735,000</u>	<u>-</u>	<u>100,000</u>	<u>1,635,000</u>	<u>50,000</u>

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

	Balance January 1, <u>2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2007</u>	Due Within One Year
Zeeland Township Water and Sewage System					
1991 Ottawa County Wastewater Collection System Bonds, due in annual installments of \$110,000 to \$120,000 through 2010, interest payable at 2.00%.	\$ 465,000	\$ -	\$ 110,000	\$ 355,000	\$ 115,000
1998 Ottawa County Refunding Bonds, due in annual installments of \$65,000 to \$85,000 through 2008, interest payable at 3.70% to 4.35%	150,000	-	85,000	65,000	65,000
1999 Ottawa County Water Supply Bonds, partially refunded in 2005, remainder due in annual installments of \$125,000 to \$240,000 through 2009, interest payable at 5.55%.	565,000	-	125,000	440,000	200,000
Collection System Bonds, due in annual installments of \$50,000 to \$440,000 through 2023, interest payable at 3.00% to 5.00%.	2,475,000	-	210,000	2,265,000	440,000
2005 Ottawa County Refunding Bonds, due in annual installments of \$110,000 to \$520,000 through 2019, interest payable at 3.00% to 4.00%.	4,950,000	-	110,000	4,840,000	115,000
2006 Ottawa County Wastewater Collection System Extension Bonds, due in annual installments of \$155,000 to \$210,000 through 2013, interest payable at 4.00%.	1,305,000	-	155,000	1,150,000	175,000
	9,910,000	-	795,000	9,115,000	1,110,000
Jamestown Township Water and Sewage System					
1996 Ottawa County Water Supply Bonds, due in annual installments of \$60,000 to \$75,000 through 2016, interest payable at 5.90% to 6.00%.	710,000	-	60,000	650,000	65,000
1999 Ottawa County Sewage Disposal Bonds, due in annual installments of \$155,000 to \$195,000 through 2011, interest payable at 4.30% to 4.35%.	885,000	-	160,000	725,000	170,000
2000 Ottawa County Sewage Disposal and Water Supply Bonds, due in annual installments of \$20,000 to \$100,000 through 2021, interest payable at 5.20% to 5.80%.	875,000	-	25,000	850,000	25,000

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007	Due Within One Year
Jamestown Township Water and Sewage System (continued)					
2004 Ottawa County Water Supply and Wastewater Collection Bonds, due in annual installments of \$40,000 to \$195,000 through 2024, interest payable at 2.625% to 5.00%.	\$ 1,675,000	\$ -	\$ 40,000	\$ 1,635,000	\$ 40,000
	4,145,000	-	285,000	3,860,000	300,000
Polkton Township System					
1998 Michigan Municipal Bond Authority Drinking Water Revolving Fund, due in annual installments of \$20,000 to \$25,000 through 2018, interest payable at 2.50%.	260,000	-	20,000	240,000	20,000
West Central Ottawa Water and Sewage System					
1993 Ottawa County water Supply and Sewage Disposal Bonds, due in annual installments of \$55,000 to \$75,000 through 2013, interest payable at 5.20% to 5.35%.	445,000	-	55,000	390,000	55,000
2002 Ottawa County Sewage Disposal Bonds, due in annual installments of \$45,000 to \$75,000 through 2017, interest payable at 3.20% to 4.55%.	640,000	-	45,000	595,000	50,000
	1,085,000	-	100,000	985,000	105,000
Port Sheldon Sewage System					
2002 Ottawa County Sewage Disposal Bonds, due in annual installments of \$40,000 to \$90,000 through 2022, interest payable at 3.20% to 5.00%	1,020,000	-	40,000	980,000	45,000
Chester Township Sewage System					
1996 U.S. Dept. of Agriculture, Rural Development Bonds, due in annual installments of \$7,000 to \$35,000 through 2035, interest payable at 5.125%.	654,000	-	7,000	647,000	7,000
Total bonds payable	\$67,990,533	\$40,379,703	\$6,907,000	\$101,463,236	\$7,552,000

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

The annual required payment on the outstanding bonds as of December 31, 2007 are as follows:

	<u>Principal</u>	<u>Interest</u>
2008	\$ 7,552,000	\$ 4,544,879
2009	6,213,000	3,931,770
2010	6,841,000	3,690,157
2011	5,276,000	3,444,163
2012	5,233,000	3,239,069
2013-2017	24,227,000	13,116,354
2018-2022	18,076,533	8,673,055
2023-2027	13,459,703	5,319,702
2028-2032	14,480,000	2,084,159
2033-2035	105,000	8,073
	<u>\$101,463,236</u>	<u>\$48,051,381</u>

5. Advance refunding

During prior years the System issued general obligation bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on refunded debt. As a result, the refunded bonds are considered to be defeased and the assets and related liabilities have been removed from the statement of net assets. As of December 31, 2007, \$4,405,000 of outstanding bonds payable are considered defeased.

6. Risk Management

Ottawa County Public Utilities System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees and natural disasters. In order to minimize its exposure to these risks, Ottawa County Public Utilities System participates in the Michigan County Road Commission Self Insurance Pool. Settled claims relating to participation in Michigan County Road Commission Self Insurance Pool have not exceeded the amount of insurance coverage in any of the past three fiscal years. There were no reductions in insurance coverage from prior years.

7. Related Party Transactions

The System incurred expenses of approximately \$567,000 for services and labor provided by the Ottawa County Road Commission, which also provides fiscal and managerial services to the System. At year end the System owed the Ottawa County Road Commission \$70,788 for these goods and services.

8. Commitments

At year end the System had commitments of approximately \$11,500,000 for plant and infrastructure improvements.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

9. Litigation/Contingent Liabilities

The System has been named as a defendant in various litigation involving lawsuits pending and notices of intent to file suit. Management and legal counsel of the System expect no material losses in excess of insurances should an unfavorable outcome prevail. No provision for any loss has been made in the accompanying financial statements.

10. Subsequent Events

Subsequent to year end the System issued \$985,000 of bonds for the construction of Grand Haven Charter Township improvements.

COMBINING SUB FUND STATEMENTS

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
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SPECIAL REVENUE SUB FUNDS
COMBINING BALANCE SHEET

DECEMBER 31, 2007

	SW Olive Township System	Grand Valley Water System	Rush Creek Sewage Disposal System	Park Township Water System	Northwest Ottawa System
Assets					
Cash and temporary investments	\$ 45,950	\$ 59,254	\$ 161,831	\$ 625	\$ 64,134
Accounts receivable	3,232	42,098	485,241	34,884	136,138
Due from other funds	-	-	-	-	-
Total assets	\$ 49,182	\$ 101,352	\$ 647,072	\$ 35,509	\$ 200,272
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 1,965	\$ 95,694	\$ 644,380	\$ 34,884	\$ 200,264
Deferred revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	1,965	95,694	644,380	34,884	200,264
Fund balances					
Unreserved	47,217	5,658	2,692	625	8
Total liabilities and fund balances	\$ 49,182	\$ 101,352	\$ 647,072	\$ 35,509	\$ 200,272

<u>Grand Haven Township System</u>	<u>Holland Area System</u>	<u>Olive Blendon Water System</u>	<u>Coopersville Water Supply System</u>	<u>Wright Township System</u>	<u>Port Sheldon Township Water System</u>
\$ -	\$ 131,958	\$ 63,299	\$ 509	\$ -	\$ 12,665
80,398	134,824	83,486	39,191	-	4,661
-	-	-	-	-	-
<u>\$ 80,398</u>	<u>\$ 266,782</u>	<u>\$ 146,785</u>	<u>\$ 39,700</u>	<u>\$ -</u>	<u>\$ 17,326</u>
\$ 53,130	\$ 266,775	\$ 86,995	\$ 34,458	\$ -	\$ 11,177
19,618	-	-	-	-	-
7,650	-	-	-	-	-
80,398	266,775	86,995	34,458	-	11,177
-	7	59,790	5,242	-	6,149
<u>\$ 80,398</u>	<u>\$ 266,782</u>	<u>\$ 146,785</u>	<u>\$ 39,700</u>	<u>\$ -</u>	<u>\$ 17,326</u>

(continued)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
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SPECIAL REVENUE SUB FUNDS
COMBINING BALANCE SHEET

DECEMBER 31, 2007

	Crockery Township System	Zeeland Township System	Spring Lake Village Water System	Jamestown Township System	Polkton Township Water System
Assets					
Cash and temporary investments	\$ -	\$ -	\$ 926	\$ 15,192	\$ 198
Accounts receivable	128,783	560	11,889	28,127	3,211
Due from other funds	-	-	-	-	-
Total assets	\$ 128,783	\$ 560	\$ 12,815	\$ 43,319	\$ 3,409
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 4,258	\$ -	\$ 11,568	\$ 41,218	\$ 1,209
Deferred revenue	-	-	-	-	-
Due to other funds	124,525	516	-	-	-
Total liabilities	128,783	516	11,568	41,218	1,209
Fund balances					
Unreserved	-	44	1,247	2,101	2,200
Total liabilities and fund balances	\$ 128,783	\$ 560	\$ 12,815	\$ 43,319	\$ 3,409

<u>Robinson Township Water System</u>	<u>West Central Ottawa System</u>	<u>Chester Township Sewage System</u>	<u>Wyoming Water Supply System</u>	<u>Olive Township Sewage System</u>	<u>South West Ottawa County Landfill</u>	<u>Total</u>
\$ -	\$ 320,045	\$ 3,809	\$ 424,125	\$ -	\$ 10,592	\$ 1,315,112
4,107	63,496	14,044	427,330	-	8,208	1,733,908
-	-	-	167,766	-	-	167,766
<u>\$ 4,107</u>	<u>\$ 383,541</u>	<u>\$ 17,853</u>	<u>\$ 1,019,221</u>	<u>\$ -</u>	<u>\$ 18,800</u>	<u>\$ 3,216,786</u>
\$ 476	\$ 14,181	\$ 4,103	\$ 1,008,740	\$ -	\$ 14,702	\$ 2,530,177
-	-	-	-	-	-	19,618
<u>3,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,322</u>
4,107	14,181	4,103	1,008,740	-	14,702	2,686,117
-	369,360	13,750	10,481	-	4,098	530,669
<u>\$ 4,107</u>	<u>\$ 383,541</u>	<u>\$ 17,853</u>	<u>\$ 1,019,221</u>	<u>\$ -</u>	<u>\$ 18,800</u>	<u>\$ 3,216,786</u>

(concluded)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

(a Component Unit of Ottawa County)

SPECIAL REVENUE SUB FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>SW Olive Township System</u>	<u>Grand Valley Water System</u>	<u>Rush Creek Sewage Disposal System</u>	<u>Park Township Water System</u>	<u>Northwest Ottawa System</u>
Revenues					
Charges for services	\$ 17,555	\$ 786,729	\$ 2,542,718	\$ 483,231	\$ 1,840,652
Miscellaneous	-	-	-	-	-
Total revenues	<u>17,555</u>	<u>786,729</u>	<u>2,542,718</u>	<u>483,231</u>	<u>1,840,652</u>
Expenditures					
Operations:					
Salaries and wages	2,930	-	24,422	-	3,094
Operating supplies and expenses	96	432	11,875	-	155
Contractual services	162	560	41,278	-	32,434
Water purchases	11,521	785,175	-	483,231	895,894
Sewage treatment charges	-	-	2,457,889	-	671,017
Utilities	-	412	12,188	-	37,101
Miscellaneous	-	-	-	-	222,547
Total expenditures	<u>14,709</u>	<u>786,579</u>	<u>2,547,652</u>	<u>483,231</u>	<u>1,862,242</u>
Revenues over (under) expenditures	<u>2,846</u>	<u>150</u>	<u>(4,934)</u>	<u>-</u>	<u>(21,590)</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>2,846</u>	<u>150</u>	<u>(4,934)</u>	<u>-</u>	<u>(21,590)</u>
Fund balances, beginning of year	<u>44,371</u>	<u>5,508</u>	<u>7,626</u>	<u>625</u>	<u>21,598</u>
Fund balances, end of year	<u>\$ 47,217</u>	<u>\$ 5,658</u>	<u>\$ 2,692</u>	<u>\$ 625</u>	<u>\$ 8</u>

<u>Grand Haven Township System</u>	<u>Holland Area System</u>	<u>Olive Blendon Water System</u>	<u>Coopersville Water Supply System</u>	<u>Wright Township System</u>	<u>Port Sheldon Township Water System</u>
\$ 615,904	\$ 1,525,181	\$ 349,601	\$ 245,068	\$ -	\$ 25,342
-	-	-	-	-	-
615,904	1,525,181	349,601	245,068	-	25,342
-	-	17,865	8,383	-	4,696
96	-	1,353	-	-	1,005
560	4,600	5,191	560	-	121
618,083	-	331,473	235,359	-	13,371
-	1,520,581	-	-	-	-
-	-	1,549	1,027	-	-
-	-	-	-	-	-
618,739	1,525,181	357,431	245,329	-	19,193
(2,835)	-	(7,830)	(261)	-	6,149
-	-	-	-	-	-
-	-	-	-	(15,709)	-
-	-	-	-	(15,709)	-
(2,835)	-	(7,830)	(261)	(15,709)	6,149
2,835	7	67,620	5,503	15,709	-
\$ -	\$ 7	\$ 59,790	\$ 5,242	\$ -	\$ 6,149

(continued)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM

(a Component Unit of Ottawa County)

SPECIAL REVENUE SUB FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Crockery Township System</u>	<u>Zeeland Township System</u>	<u>Spring Lake Village Water System</u>	<u>Jamestown Township System</u>	<u>Polkton Township Water System</u>
Revenues					
Charges for services	\$ 150,066	\$ 560	\$ 123,531	\$ 336,426	\$ 10,601
Miscellaneous	9,634	-	-	-	-
Total revenues	<u>159,700</u>	<u>560</u>	<u>123,531</u>	<u>336,426</u>	<u>10,601</u>
Expenditures					
Operations:					
Salaries and wages	54,855	-	-	67,906	3,786
Operating supplies and expenses	6,987	-	-	13,788	19
Contractual services	17,975	560	-	24,534	108
Water purchases	31,716	-	122,937	134,581	6,162
Sewage treatment charges	-	-	-	77,881	-
Utilities	28,901	-	-	16,801	-
Miscellaneous	19,266	-	-	-	-
Total expenditures	<u>159,700</u>	<u>560</u>	<u>122,937</u>	<u>335,491</u>	<u>10,075</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>594</u>	<u>935</u>	<u>526</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-	594	935	526
Fund balances, beginning of year	<u>-</u>	<u>44</u>	<u>653</u>	<u>1,166</u>	<u>1,674</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 44</u>	<u>\$ 1,247</u>	<u>\$ 2,101</u>	<u>\$ 2,200</u>

<u>Robinson Township Water System</u>	<u>West Central Ottawa System</u>	<u>Chester Township Sewage System</u>	<u>Wyoming Water Supply System</u>	<u>Olive Township Sewage System</u>	<u>South West Ottawa County Landfill</u>	<u>Total</u>
\$ 1,428	\$ 303,781	\$ 35,145	\$ 5,330,085	\$ -	\$ 130,388	\$ 14,853,992
-	-	-	350	-	-	9,984
1,428	303,781	35,145	5,330,435	-	130,388	14,863,976
162	37,313	10,795	-	-	27,454	263,661
96	13,882	1,058	7,886	-	7,776	66,504
-	93,763	21,415	15,019	-	61,505	320,345
1,170	40,962	-	5,307,026	-	68	9,018,729
-	-	-	-	-	-	4,727,368
-	19,299	1,222	-	-	35,163	153,663
-	30,426	-	350	-	-	272,589
1,428	235,645	34,490	5,330,281	-	131,966	14,822,859
-	68,136	655	154	-	(1,578)	41,117
-	-	-	-	-	-	-
-	-	-	-	(10,000)	-	(25,709)
-	-	-	-	(10,000)	-	(25,709)
-	68,136	655	154	(10,000)	(1,578)	15,408
-	301,224	13,095	10,327	10,000	5,676	515,261
\$ -	\$ 369,360	\$ 13,750	\$ 10,481	\$ -	\$ 4,098	\$ 530,669

(concluded)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

DEBT SERVICE SUB FUNDS
COMBINING BALANCE SHEET

DECEMBER 31, 2007

	<u>Park Township Water System</u>	<u>Grand Haven Township System</u>	<u>Olive Blendon Water System</u>	<u>Coopersville Water Supply System</u>	<u>Crockery Township System</u>
Assets					
Cash and temporary investments	\$ 2,318	\$ 3,260	\$ 12,648	\$ 63	\$ 7,397
Accounts receivable	-	-	1,494	-	-
Due from other governments long-term	-	5,109,441	385,858	644,937	1,461,920
Total assets	<u>\$ 2,318</u>	<u>\$ 5,112,701</u>	<u>\$ 400,000</u>	<u>\$ 645,000</u>	<u>\$ 1,469,317</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ -	\$ 241	\$ -	\$ -	\$ -
Deferred revenue	2,318	5,109,441	385,858	644,937	1,461,920
Due to other funds	-	-	-	-	-
Due to Ottawa County	-	-	-	-	-
Total liabilities	2,318	5,109,682	385,858	644,937	1,461,920
Fund balances					
Unreserved	-	3,019	14,142	63	7,397
Total liabilities and fund balances	<u>\$ 2,318</u>	<u>\$ 5,112,701</u>	<u>\$ 400,000</u>	<u>\$ 645,000</u>	<u>\$ 1,469,317</u>

<u>Spring Lake Village Water System</u>	<u>Jamestown Township System</u>	<u>Polkton Township System</u>	<u>West Central Ottawa System</u>	<u>Grand Valley Water System</u>	<u>Zeeland Township System</u>	<u>Holland Area System</u>
\$ 7,807	\$ 466	\$ -	\$ 80,844	\$ 1,208	\$ -	\$ 21,348
-	-	-	343	-	1,191	64,571
-	3,645,801	240,000	788,303	10,040,575	8,020,150	9,937,677
<u>\$ 7,807</u>	<u>\$ 3,646,267</u>	<u>\$ 240,000</u>	<u>\$ 869,490</u>	<u>\$ 10,041,783</u>	<u>\$ 8,021,341</u>	<u>\$ 10,023,596</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,807	3,645,801	240,000	788,303	10,040,575	8,020,150	9,937,677
-	-	-	-	-	1,191	-
-	-	-	81,180	-	-	-
7,807	3,645,801	240,000	869,483	10,040,575	8,021,341	9,937,677
-	466	-	7	1,208	-	85,919
<u>\$ 7,807</u>	<u>\$ 3,646,267</u>	<u>\$ 240,000</u>	<u>\$ 869,490</u>	<u>\$ 10,041,783</u>	<u>\$ 8,021,341</u>	<u>\$ 10,023,596</u>

(continued)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

DEBT SERVICE SUB FUNDS
COMBINING BALANCE SHEET

DECEMBER 31, 2007

	Northwest Ottawa System	Wyoming Water Supply System	Port Sheldon Water System	Chester Township Sewage System	Total
Assets					
Cash and temporary investments	\$ 48,172	\$ 2,120,881	\$ 932	\$ 180	\$ 2,307,524
Accounts receivable	-	-	-	-	67,599
Due from other governments long-term	9,679,864	25,496,485	855,234	646,820	76,953,065
Total assets	\$ 9,728,036	\$ 27,617,366	\$ 856,166	\$ 647,000	\$ 79,328,188
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 241	\$ -	\$ -	\$ -	\$ 482
Deferred revenue	9,679,864	25,496,485	855,234	646,820	76,963,190
Due to other funds	-	-	-	-	1,191
Due to Ottawa County	-	-	-	-	81,180
Total liabilities	9,680,105	25,496,485	855,234	646,820	77,046,043
Fund balances					
Unreserved	47,931	2,120,881	932	180	2,282,145
Total liabilities and fund balances	\$ 9,728,036	\$ 27,617,366	\$ 856,166	\$ 647,000	\$ 79,328,188

(concluded)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

DEBT SERVICE SUB FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Park Township Water System</u>	<u>Grand Haven Township System</u>	<u>Olive Blendon Water System</u>	<u>Coopersville Water Supply System</u>	<u>Crockery Township System</u>
Revenues					
Charges for services	\$ -	\$ 648,522	\$ 44,426	\$ 74,250	\$ 130,675
Interest	-	-	-	-	-
Total revenues	-	648,522	44,426	74,250	130,675
Expenditures					
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	570,000	25,000	40,000	100,000
Interest	-	235,853	21,250	34,250	70,907
Total expenditures	-	805,853	46,250	74,250	170,907
Revenues over (under) expenditures	-	(157,331)	(1,824)	-	(40,232)
Other financing sources (uses)					
Transfers in	-	157,090	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	157,090	-	-	-
Net changes in fund balances	-	(241)	(1,824)	-	(40,232)
Fund balances, beginning of year	-	3,260	15,966	63	47,629
Fund balances, end of year	\$ -	\$ 3,019	\$ 14,142	\$ 63	\$ 7,397

<u>Spring Lake Village Water System</u>	<u>Jamestown Township System</u>	<u>Polkton Township System</u>	<u>West Central Ottawa System</u>	<u>Grand Valley Water System</u>	<u>Zeeland Township System</u>	<u>Holland Area System</u>
\$ -	\$ 481,716	\$ 26,249	\$ 115,693	\$ 644,187	\$ 1,192,366	\$ 1,871,147
-	-	-	-	-	-	-
-	481,716	26,249	115,693	644,187	1,192,366	1,871,147
-	-	-	-	-	-	-
-	285,000	20,000	100,000	400,000	795,000	1,305,000
-	196,716	6,249	49,455	244,187	400,251	501,576
-	481,716	26,249	149,455	644,187	1,195,251	1,806,576
-	-	-	(33,762)	-	(2,885)	64,571
-	-	-	33,306	28	-	-
-	-	-	-	-	-	-
-	-	-	33,306	28	-	-
-	-	-	(456)	28	(2,885)	64,571
-	466	-	463	1,180	2,885	21,348
\$ -	\$ 466	\$ -	\$ 7	\$ 1,208	\$ -	\$ 85,919

(continued)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

DEBT SERVICE SUB FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Northwest Ottawa System</u>	<u>Wyoming Water Supply System</u>	<u>Port Sheldon Water System</u>	<u>Chester Township Sewage System</u>	<u>Total</u>
Revenues					
Charges for services	\$ 2,271,847	\$ 3,037,568	\$ 62,332	\$ 40,518	\$ 10,641,496
Interest	-	76,860	-	-	76,860
Total revenues	<u>2,271,847</u>	<u>3,114,428</u>	<u>62,332</u>	<u>40,518</u>	<u>10,718,356</u>
Expenditures					
Capital outlay	-	80,595	-	-	80,595
Debt service					
Principal	1,810,000	1,410,000	40,000	7,000	6,907,000
Interest	461,003	440,434	44,273	33,338	2,739,742
Total expenditures	<u>2,271,003</u>	<u>1,931,029</u>	<u>84,273</u>	<u>40,338</u>	<u>9,727,337</u>
Revenues over (under) expenditures	<u>844</u>	<u>1,183,399</u>	<u>(21,941)</u>	<u>180</u>	<u>991,019</u>
Other financing sources (uses)					
Transfers in	-	-	21,941	-	212,365
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>21,941</u>	<u>-</u>	<u>212,365</u>
Net changes in fund balances	844	1,183,399	-	180	1,203,384
Fund balances, beginning of year	<u>47,087</u>	<u>937,482</u>	<u>932</u>	<u>-</u>	<u>1,078,761</u>
Fund balances, end of year	<u>\$ 47,931</u>	<u>\$ 2,120,881</u>	<u>\$ 932</u>	<u>\$ 180</u>	<u>\$ 2,282,145</u>

(concluded)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

CAPITAL PROJECTS SUB FUNDS
COMBINING BALANCE SHEET

DECEMBER 31, 2007

	<u>Revolving</u>	<u>Grand Valley Water System</u>	<u>Wyoming Water Supply System</u>	<u>Northwest Ottawa System</u>	<u>Grand Haven Township System</u>
Assets					
Cash and temporary investments	\$ 18,260	\$ 630,606	\$ 2,306,688	\$ 197,429	\$ 137,540
Investments	-	-	17,535,946	-	-
Accounts receivable	<u>131,740</u>	<u>214,111</u>	<u>-</u>	<u>84,494</u>	<u>-</u>
Total assets	<u>\$ 150,000</u>	<u>\$ 844,717</u>	<u>\$ 19,842,634</u>	<u>\$ 281,923</u>	<u>\$ 137,540</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ -	\$ 630,264	\$ -	\$ 169,718	\$ -
Deferred revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to Ottawa County	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	150,000	630,264	-	169,718	-
Fund balances					
Unreserved	<u>-</u>	<u>214,453</u>	<u>19,842,634</u>	<u>112,205</u>	<u>137,540</u>
Total fund balances	<u>-</u>	<u>214,453</u>	<u>19,842,634</u>	<u>112,205</u>	<u>137,540</u>
Total liabilities and fund balances	<u>\$ 150,000</u>	<u>\$ 844,717</u>	<u>\$ 19,842,634</u>	<u>\$ 281,923</u>	<u>\$ 137,540</u>

<u>Holland Area System</u>	<u>Crockery Township System</u>	<u>Zeeland Township System</u>	<u>Jamestown Township System</u>	<u>Polkton Township System</u>
\$ 126,404	\$ 165,683	\$ 1,094,850	\$ 213,733	\$ -
-	-	-	-	-
-	-	-	-	-
<u>\$ 126,404</u>	<u>\$ 165,683</u>	<u>\$ 1,094,850</u>	<u>\$ 213,733</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
126,404	165,683	1,094,850	213,733	-
<u>126,404</u>	<u>165,683</u>	<u>1,094,850</u>	<u>213,733</u>	<u>-</u>
<u>\$ 126,404</u>	<u>\$ 165,683</u>	<u>\$ 1,094,850</u>	<u>\$ 213,733</u>	<u>\$ -</u>

(continued)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

CAPITAL PROJECTS SUB FUNDS
COMBINING BALANCE SHEET

DECEMBER 31, 2007

	<u>Chester Township Sewage System</u>	<u>West Central Ottawa System</u>	<u>Port Sheldon Township Sewer System</u>	<u>South West Ottawa County Landfill</u>	<u>Total</u>
Assets					
Cash and temporary investments	\$ -	\$ 196,690	\$ 123,834	\$ -	\$ 5,211,717
Investments	-	-	-	-	17,535,946
Accounts receivable	-	-	-	94,688	525,033
Total assets	<u>\$ -</u>	<u>\$ 196,690</u>	<u>\$ 123,834</u>	<u>\$ 94,688</u>	<u>\$ 23,272,696</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 81,424	\$ 881,406
Deferred revenue	-	-	-	2,065	2,065
Due to other funds	-	-	-	11,199	11,199
Due to Ottawa County	-	-	-	-	150,000
Total liabilities	-	-	-	94,688	1,044,670
Fund balances					
Unreserved	-	196,690	123,834	-	22,228,026
Total fund balances	-	196,690	123,834	-	22,228,026
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 196,690</u>	<u>\$ 123,834</u>	<u>\$ 94,688</u>	<u>\$ 23,272,696</u>

(concluded)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

CAPITAL PROJECTS SUB FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Revolving</u>	<u>Grand Valley Water System</u>	<u>Wyoming Water Supply System</u>	<u>Northwest Ottawa System</u>	<u>Grand Haven Township System</u>
Revenues					
Charges	\$ -	\$ -	\$ 60,000	\$ 263,450	\$ -
Interest income	-	10,312	838,152	1,928	10,038
Miscellaneous	-	-	-	-	-
Total revenues	-	10,312	898,152	265,378	10,038
Expenditures					
Capital outlay	-	2,262,222	20,935,890	224,777	-
Total expenditures	-	2,262,222	20,935,890	224,777	-
Revenues over (under) expenditures	-	(2,251,910)	(20,037,738)	40,601	10,038
Other financing sources (uses)					
Bond issue	-	2,234,703	38,145,000	-	-
Bond Premium	-	-	1,466,859	-	-
Transfers in	-	-	-	-	-
Transfers out	-	(28)	(50,000)	-	(157,090)
Total other financing sources (uses)	-	2,234,675	39,561,859	-	(157,090)
Net changes in fund balances	-	(17,235)	19,524,121	40,601	(147,052)
Fund balances, beginning of year	-	231,688	318,513	71,604	284,592
Fund balances, end of year	\$ -	\$ 214,453	\$ 19,842,634	\$ 112,205	\$ 137,540

<u>Holland Area System</u>	<u>Crockery Township System</u>	<u>Zeeland Township System</u>	<u>Jamestown Township System</u>	<u>Polkton Township System</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	7,759	61,391	10,106	-
-	624	-	-	-
-	8,383	61,391	10,106	-
-	-	369,560	-	-
-	-	369,560	-	-
-	8,383	(308,169)	10,106	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(1,248)
-	-	-	-	(1,248)
-	8,383	(308,169)	10,106	(1,248)
126,404	157,300	1,403,019	203,627	1,248
\$ 126,404	\$ 165,683	\$ 1,094,850	\$ 213,733	\$ -

(continued)

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

CAPITAL PROJECTS SUB FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Chester Township Sewage System</u>	<u>West Central Ottawa System</u>	<u>Port Sheldon Township Sewer System</u>	<u>South West Ottawa County Landfill</u>	<u>Total</u>
Revenues					
Charges	\$ -	\$ 55,143	\$ -	\$ 206,898	\$ 585,491
Interest income	-	12,778	6,869	-	959,333
Miscellaneous	-	-	-	-	624
Total revenues	-	67,921	6,869	206,898	1,545,448
Expenditures					
Capital outlay	-	29,836	-	211,919	24,034,204
Total expenditures	-	29,836	-	211,919	24,034,204
Revenues over (under) expenditures	-	38,085	6,869	(5,021)	(22,488,756)
Other financing sources (uses)					
Bond issue	-	-	-	-	40,379,703
Bond Premium	-	-	-	-	1,466,859
Transfers in	-	-	-	-	-
Transfers out	-	(33,306)	(21,941)	-	(263,613)
Total other financing sources (uses)	-	(33,306)	(21,941)	-	41,582,949
Net changes in fund balances	-	4,779	(15,072)	(5,021)	19,094,193
Fund balances, beginning of year	-	191,911	138,906	5,021	3,133,833
Fund balances, end of year	\$ -	\$ 196,690	\$ 123,834	\$ -	\$ 22,228,026

(concluded)

SINGLE AUDIT SECTION



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 11, 2008

Ottawa County Public Utilities System
Board of County Road Commissioners
Grand Haven, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ottawa County Public Utilities System as of and for the year ended December 31, 2007, which collectively comprise the Ottawa County Public Utilities System's basic financial statements and have issued our report thereon dated June 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ottawa County Public Utilities System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ottawa County Public Utilities System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ottawa County Public Utilities System's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Ottawa County Public Utilities System's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Ottawa County Public Utilities System's financial statements that is more than inconsequential will not be prevented or detected by the Ottawa County Public Utilities System's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Ottawa County Public Utilities System's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ottawa County Public Utilities System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Ottawa County Public Utilities System's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Ottawa County Public Utilities System's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Oradonold Haefner LLC



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

June 11, 2008

Ottawa County Public Utilities System
Board of County Road Commissioners
Grand Haven, Michigan

Compliance

We have audited the compliance of the Ottawa County Public Utilities System with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2007. The Ottawa County Public Utilities System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Ottawa County Public Utilities System's management. Our responsibility is to express an opinion on the Ottawa County Public Utilities System's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Ottawa County Public Utilities System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Ottawa County Public Utilities System's compliance with those requirements.

In our opinion, the Ottawa County Public Utilities System, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the Ottawa County Public Utilities System is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Ottawa County Public Utilities System's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Ottawa County Public Utilities System's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Orlando Hoefner LLC

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
US Environmental Protection Agency Passed through Michigan Department of Environmental Quality Drinking Water Revolving Fund		66.468	<u>\$ 1,313,568</u>

Notes to Schedule of Expenditures of Federal Awards

1. This schedule is presented on the accrual basis of accounting.
2. Expenditures in this schedule are in agreement with amounts reported in the financial statements.

OTTAWA COUNTY PUBLIC UTILITIES SYSTEM
(a Component Unit of Ottawa County)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued

Unqualified on basic financial
statements

Internal controls over financial reporting

Material weaknesses identified?

 X yes

 no

Significant deficiencies identified not considered to be material weaknesses?

 yes

 X

none reported

Noncompliance material to financial statements noted?

 yes

 X

no

Federal Awards

Internal control over major programs

Material weaknesses identified?

 yes

 X

no

Significant deficiencies identified not considered to be material weaknesses?

 yes

 X

none reported

Type of auditors' report issued on compliance for major programs

Unqualified

Any audit findings disclosed that are required to be reported in accordance
with Circular A-133, section 510(a)?

 yes

 X

no

Identification of Major Programs

CFDA Number(s)

Name of Federal Program or Cluster

66.468

Drinking Water Revolving Fund

Dollar threshold used to distinguish between Type A and B programs?

 \$300,000

Auditee qualified as low-risk auditee?

 yes

 X

no

SECTION II - FINANCIAL STATEMENT FINDINGS

2007-1

Conditions: The Public Utilities System staff has not reconciled bank account balances to the general ledger on a timely basis.

Effect: This resulted in the inability to provide accurate financial information on a timely basis to manage of the Public Utilities System.

Recommendation: The bank accounts of the Public Utilities System should be reconciled to the general ledger in a timely manner.

Management corrective action: The Public Utilities System staff will complete monthly reconciliations of bank balances to general ledger balances.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

None noted